

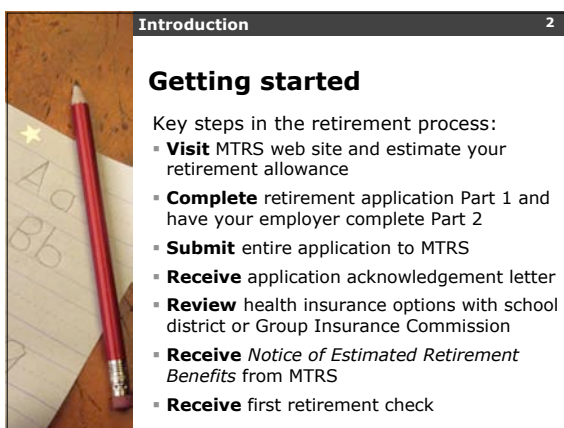


Fall 2006

Ready for Retirement!

"My interest is in the future, because I'm going to spend the rest of my life there."
—Charles Kettering

MTRS
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

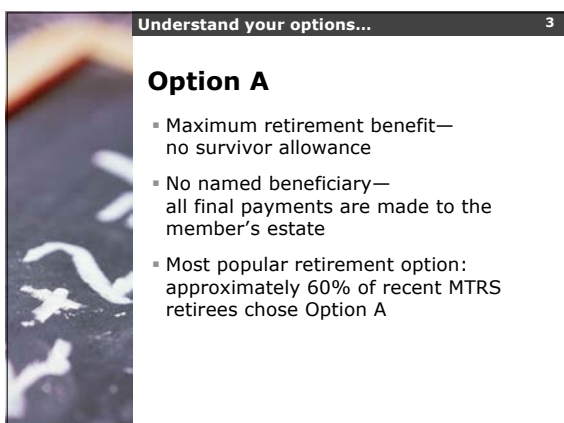


Introduction 2

Getting started

Key steps in the retirement process:

- **Visit** MTRS web site and estimate your retirement allowance
- **Complete** retirement application Part 1 and have your employer complete Part 2
- **Submit** entire application to MTRS
- **Receive** application acknowledgement letter
- **Review** health insurance options with school district or Group Insurance Commission
- **Receive** *Notice of Estimated Retirement Benefits* from MTRS
- **Receive** first retirement check




Understand your options... 3

Option A

- Maximum retirement benefit—no survivor allowance
- No named beneficiary— all final payments are made to the member's estate
- Most popular retirement option: approximately 60% of recent MTRS retirees chose Option A

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Understand your options... 4

Option B


- Reduced benefit—generally 1% less than Option A
- Reduction is based on the age of the retiree and the annuity savings account balance at retirement
- Provides a lump-sum benefit to a survivor if funds remain in member's account at the time of his or her death (usually a 10-12 year spend-down process)
- Named beneficiary required: no restrictions on who beneficiary may be
- Option B information will be confirmed on your *Notice of Estimated Retirement Benefits*



Understand your options... 5

Option C

- Best known as the "survivor benefit"
- Provides a lifetime benefit to a named beneficiary (meeting certain criteria) upon retiree's death
- Retiree's benefit is reduced from Option A by a factor determined by the age of the retiree and his or her beneficiary: usually a 9% to 11% reduction
- Survivor benefit is 2/3 of retiree's benefit at the time of the retiree's death
- Option A "pop-up" provision




Retirement application process 6

Applying for retirement benefits

Complete the retirement application:

- R+ application and regular retirement application process are the same
- Follow instructions carefully: attach required documents
- Obtain signature and required verification from school district official(s)
- Submit application to assigned MTRS office (eastern MA, Cambridge office; western MA, Springfield office)




Retirement application process 7

Applying for retirement benefits

Following submission of application...

- MTRS records the date of receipt
- Your application will be reviewed for accuracy and required documents
- If complete, an application acknowledgement letter will be sent to you
- If incomplete, a request for additional information will be sent to you



Retirement application steps 8

Part 1: Your information—To be completed by you

The retirement application form includes:

- Option selection form
- Beneficiary form (if electing Option B)
- Direct deposit form
- W4-P federal tax withholding instructions form




Retirement application steps 9

Part 2: Employment data—To be completed by your payroll administrator

- Your employer provides and certifies your:
 - Service history with your current school district
 - Salary average information
 - Current and final deductions
- Your payroll administrator then returns Part 2 directly to you
- You then submit Parts 1 and 2 together, along with any attachments, directly to the MTRS

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"Change is chance, which favors the mind that is prepared."

—Louis Pasteur




MTRS Calculation timeline

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The benefit calculation process

Expectations for processing:

- Calculations may take up to 4 months to complete
- In general, applications are processed on a "first in—first out" basis
- We may need to contact your school department for additional information: we will notify you if this causes a delay
- Once your benefit calculation is complete, your *Notice of Estimated Retirement Benefits* letter will be sent to you



In the meantime...

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Complete service purchases

If you have pending service purchases:

- All non-MTRS membership service must be claimed before your date of retirement: list any eligible service on your retirement application
- Purchases must be paid in full prior to your date of retirement; remember:
 - Rollovers and trust-to-trust transfers take time—start now
 - Late payments will postpone your date of retirement and delay your first retirement check
- List of eligible service purchases provided in the handout




In the meantime... 13

Understand health insurance options

In advance of your retirement date:


- Understand the health insurance options available to you in retirement
 - Contact local insurance administrator
 - If retiring from a participating district, contact the Mass. Group Insurance Commission
- Find out if Medicare eligibility will impact your future insurance benefits—understand your options
- Understand survivor health insurance benefits—do they exist?
- Make arrangements to direct pay premiums if necessary until your retirement payments begin



Receiving your first check... 14

Your first retirement check

- Regardless of when your first check is issued, you will be paid retroactive to your date of retirement
- If you sign up to receive your benefit payments via direct deposit, your first check **may** be sent via US mail



Direct deposit 15


Direct deposit (also known as Electronic Funds Transfer, or EFT)

Things to know:

- Direct deposit of your retirement allowance is the recommended method of payment—over 75% participation
- Your monthly retirement allowance is transferred to your bank account on the last business day of each month
- You will receive a monthly statement anytime there is a change to your retirement allowance and a year end summary each December

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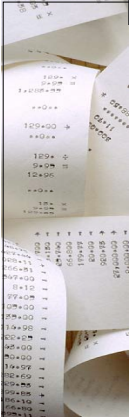
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Questions?
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*"Expect the best, plan for the worst,
and prepare to be surprised."*

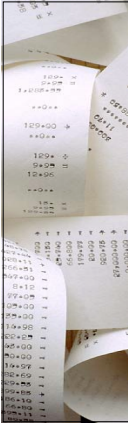
—Denis Waitley



Taxes
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Tax issues to consider

- Your retirement allowance is federally taxable
- Many of you will have slightly reduced "taxable" earnings each year because of "post-tax" dollars in your annuity savings account at the time of your retirement
- Your retirement allowance is not subject to Massachusetts state income tax
- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax



Taxes and annual benefit verification
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**Your 1099-R:
An annual federal tax form**

- By January 31st of each year, the MTRS will mail you a 1099-R tax form: replaces W-2 form
- Gross earnings and taxable earnings will be detailed on the 1099-R
- You are also required to provide proof that you remain eligible (i.e., alive) to receive your retirement allowance. The Benefit Verification Form is an annual process to prevent pension fraud and to ensure your benefits are being paid to the rightful and living recipient; a notarized signature is required




Working after retirement 19

Post retirement employment

There are **no limits** on the following:

- Employment in the private sector
- Employment in another state—public or private
- Employment within the federal government
- Volunteering



Working after retirement 20

Post retirement employment

General earnings and service limitations on re-employment in the **Massachusetts public sector**

- 60 day period of separation from service required; waived if retiring at age 65 or at 80% maximum benefit
- Cannot exceed 960 hours in a calendar year
- Post-retirement earnings **cannot exceed** the current salary of the position you retired from




Working after retirement 21

Post retirement employment

Example: calendar year 2006

2006 salary from your pre-retirement position	\$55,000
– Annual gross retirement allowance	– \$40,000
2006 earning limit	\$15,000




Working after retirement 22

Post retirement employment

Rules regarding "critical shortage":

- Retirement *Plus* retirees must wait two years to be eligible
- School district must contact the DOE to obtain a one year "waiver" for a specific position
- If above are met, the retiree may work without earnings limitation for the duration of the critical shortage "waiver"




Working after retirement 23

Post retirement employment

Additional precautions:


- Service rendered as a "consultant" to a MA public school or agency is subject to the service and earnings restrictions
- You may elect to waive or "freeze" your benefit if you approach your earnings and service limits
- Exceeding allowable limits subjects retiree to collection of overpayments by the employer or MTRS



Social Security 24

Social Security issues

- Your eligibility for a MA public pension will most likely reduce your own Social Security benefit but it won't eliminate it
- Even without enough credits (40) for a monthly Social Security benefit, you may qualify for Medicare either on your own or through your spouse
- For more info, please see our handout, *Social Security for the Massachusetts Educator*



Social Security 25


“Double dipping” laws

Windfall Elimination Provision (WEP)

- Exempt from WEP if you were eligible to retire from the MTRS prior to 1/1/86

Government Pension Offset (GPO)

- Exempt from GPO if you were eligible to retire prior to 12/1/82



Cost of living adjustments 26

COLA notes

- **Eligibility:** MA public retirees are eligible for COLAs after one full fiscal year of retirement
- **Granted by Legislature:** as part of the annual budget process, a COLA is subject to approval by vote of the MA Legislature
- **Amount:** currently, 3% or the CPI, whichever is less, on the first \$12,000 of your retirement allowance, for a maximum increase of \$360 per year



For more information

- www.mass.gov/mtrs
- Cambridge: 617-679-6877
- Springfield: 413-784-1711

Thank you for attending today!

MTRS
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RETIREMENT SYSTEM
